Titon Holdings Plc
2006 Interim Statement

Titon

Interim Financial Statements

for the six months ended 31 March 2006

Contents

Chairman's Statement

Financial Performance

Profit before taxation for the six months to 31 March 2006 was 24.9% lower than the same period last year at £420,000 (2005: £559,000) on turnover 3.5% higher at £8,195,000 (2005: £7,917,000). Basic earnings per share were 22.9% lower at 2.86p (2005: 3.71p) and the Directors have declared an unchanged interim dividend of 2.3p (2005: 2.3p).

Capital expenditure during the six months was high at £1,142,000. Of this amount £416,000 relates to investment in our Plastic Injection Moulding Plant and £247,000 is in respect of tooling for new products.

These are the first results published under International Financial Reporting Standards (IFRS). The previously published results for 2005, prepared under UK Generally Accepted Accounting Principles (UK GAAP), have been restated and all comparative figures are in accordance with IFRS. The adjustments to the results for 2005 are shown in the notes to the 2006 Interim Statement.

Trading Commentary

Sales of Titon manufactured products continue to be affected by tough UK market competition. The 3.5% sales growth experienced during the period relates to products that were bought in for resale; with our own product sales falling slightly. Two of the areas of our business in which we have recently invested in direct sales staff, namely 'Ventilation Systems' and 'Aluminium Fittings', are predominantly selling bought in products. These sectors of operation continue to grow steadily, whilst our traditional markets remain challenging. This is due to a combination of increased competition and reduced customer demand, as evidenced in many other markets in the UK. Our export sales are 33% ahead of last year, which is most encouraging.

I reported in my end of year statement that the Draft of the new Building Regulations (England & Wales) for Ventilation had been published giving us some direction for the future. Subsequently, the final document was issued in April, which included some significant changes in content and timings from the Draft document. As a result of the very short timescale between publication and proposed implementation, the requirement to fit trickle ventilators in replacement windows has been deferred until October 2006 delaying any expected benefits.

I have, over recent years, consistently reported significant capital investment in production processes to drive down the cost of manufacturing and this has been maintained during the past 6 months. Despite this, the increases in cost of basic raw materials, and other associated production and distribution costs have continued to impact on our margins.

Prospects

General conditions within the UK window and door market remain difficult and delayed implementation of the new Building Regulations means they are unlikely to offer much short term improvement. In the longer term, however, we are confident it will provide us with opportunities for growth - particularly as we consolidate our ability to provide total ventilation systems to the industry.

Significantly, we are shortly to launch a new improved version of the Trimvent Select Ventilator range designed specifically for the new regulations. The products, which are to be marketed under the brand name 'Trimvent Select Xtra', give an improved level of airflow over the current products and will enable easier compliance for both developers and window fabricators.

Unfortunately, given the factors noted above, and particularly the delays in Regulation implementation, I expect that second half earnings will be broadly similar to the first half.

John Anderson
Chairman
10 May 2006

Consolidated Interim Income Statement

for the six months ended 31 March 2006

	Note	**Six Months to 31.3.06**	Six Months to 31.3.05	Year to 30.9.05
		£'000	£'000	£'000
Revenue	2	**8,195**	7,917	16,436
Operating profit		**354**	482	1,028
Interest income		**66**	77	151
Profit before taxation		**420**	559	1,179
Taxation expense	3	**(118)**	(168)	(328)
Profit for the period attributable to the members of Titon Holdings Plc	7	**302**	391	851
Earnings per share - basic	6	**2.86p**	3.71p	8.08p
- diluted	6	**2.85p**	3.70p	8.06p

Consolidated Statement of Recognised Income & Expense for the six months ended 31 March 2006

	Note	**Six Months to 31.3.06**	Six Months to 31.3.05	Year to 30.9.05
		£'000	£'000	£'000
Profit for the period attributable to the members of Titon Holdings Plc	5	**302**	391	851
Exchange difference on retranslation of net assets of subsidiary undertaking	9	**12**	-	(3)
Total recognised income & expense relating to the period		**314**	391	848

Consolidated Interim Balance Sheet

at 31 March 2006

	Note	31.3.06 £'000	31.3.05 £'000	30.9.05 £'000
Assets				
Intangible assets		**57**	8	6
Property, plant and equipment		**4,984**	4,134	4,242
Total non-current assets		**5,041**	4,142	4,248
Stocks		**2,863**	2,563	2,511
Trade and other receivables		**3,828**	3,468	3,695
Cash at bank and in hand		**2,473**	3,154	3,380
Total current assets		**9,164**	9,185	9,586
Total Assets		**14,205**	13,327	13,834
Liabilities				
Deferred tax liability		**104**	95	104
Total non-current liabilities		**104**	95	104
Trade and other payables		**2,850**	2,113	2,406
Bank overdraft		**81**	-	21
Corporation tax liabilities		**166**	182	144
Employee benefits		**33**	15	21
Total current liabilities		**3,130**	2,310	2,592
Total Liabilities		**3,234**	2,405	2,696
Equity				
Called up share capital		**1,055**	1,053	1,053
Share premium		**863**	841	841
Capital redemption reserve		**56**	56	56
Translation reserve		**9**	-	(3)
Share schemes reserve	4	**2**	-	1
Retained earnings		**8,986**	8,972	9,190
Total Equity	5	**10,971**	10,922	11,138
Total Liabilities and Equity		**14,205**	13,327	13,834

Consolidated Interim Statement of Cash Flows

for the six months ended 31 March 2006

	Note	**Six Months to 31.3.06**	Six Months to 31.3.05	Year to 30.9.05
		£'000	£'000	£'000
Cash flows from operating activities				
Profit before tax		**420**	559	1,179
Adjustments for:				
Depreciation		**335**	297	599
Interest income		**(66)**	(77)	(151)
Share based payment expense		**1**	-	1
Increase in trade and other receivables		**(130)**	(267)	(494)
(Increase) / decrease in stocks		**(343)**	17	69
Increase/ (decrease) in trade and other payables		**456**	(28)	270
Profit on sale of plant & equipment		**(10)**	(2)	(19)
Cash generated from operations		**663**	499	1,454
Interest income		**66**	77	151
Corporation taxes paid		**(96)**	(82)	(271)
Net cash generated from operating activities		**633**	494	1,334
Cash used in investing activities				
Purchase of plant & equipment and intangible assets	8	**(1,142)**	(151)	(569)
Proceeds from sale of plant & equipment		**24**	5	30
Net cash used in investing activities		**(1,118)**	(146)	(539)
Cash flows used in financing activities				
Dividends paid	6	**(506)**	(505)	(747)
Shares issued under the Company's share option scheme		**24**	-	-
Net cash used in financing activities		**(482)**	(505)	(747)
Net (decrease) / increase in cash & cash equivalents		**(967)**	(157)	48
Cash & cash equivalents at beginning of period		**3,359**	3,311	3,311
Cash & cash equivalents at end of period		**2,392**	3,154	3,359
Cash & cash equivalents comprise:				
Cash at bank		**2,473**	3,154	3,380
Bank overdraft		**(81)**	-	(21)
Cash & cash equivalents at end of period		**2,392**	3,154	3,359

1 Significant Accounting Policies

The consolidated interim financial statements of the Group for the six months ended 31 March 2006 incorporates Titon Holdings Plc ("the Company") and its subsidiaries (together referred to as "the Group").

The consolidated interim financial statements were authorised for release on 10 May 2006.

(a) Basis of preparation

Prior to 2005, the Group prepared its audited annual financial statements and unaudited interim results under UK Generally Accepted Accounting Principles (UK GAAP). From 1 October 2005, the Group is required under European Union regulation 1606/2002 to prepare its Group consolidated annual financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union and implemented in the UK.

These consolidated interim financial statements have been prepared on the basis of IFRS that are effective or available for early adoption at the Group's first IFRS annual reporting date, 30 September 2006. Based on IFRS, the Board of Directors have made assumptions about the accounting policies expected to be adopted when the first IFRS annual financial statements are prepared for the year ended 30 September 2006.

These are the Group's first IFRS consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements. IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied that includes allowable exemptions. The consolidated interim financial statements do not include all of the information required for full annual financial statements and do not comply with all the disclosures in IAS 34 Interim Financial Reporting and are, therefore, not in full compliance with IFRS.

An explanation of how the transition to IFRS has affected the reported financial position and financial performance of the Group is provided in notes 7, 9 and 10.

The restated figures are based on current interpretations of IFRS which may be subject to change as industry practice develops. This statement includes reconciliations of equity and the income statement for comparative periods reported under UK GAAP (previous GAAP) to those reported for those periods under IFRS.

No adjustments have been made for any changes in estimates made at the time of approval of the UK GAAP financial statements for the year ended 30 September 2005 or the interim statement for the period ended 31 March 2005 on which the IFRS financial information is based, as required by IFRS 1.

The financial statements are presented in pounds sterling, rounded to the nearest thousand.

The IFRS that will be effective or available for voluntary early adoption in the financial statements for the period ended 30 September 2006 are still subject to change and to the issue of additional interpretation(s) and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first IFRS financial statements are prepared at 30 September 2006.

The preparation of the consolidated interim financial statements in accordance with IFRS resulted in changes to the accounting polices compared with the most recent annual financial statements prepared under UK GAAP. The accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements. They have also been applied in preparing an opening IFRS balance sheet at 1 October 2004 for the purposes of transition to IFRS, as required by IFRS 1. The impact of the transition from UK GAAP to IFRS is explained in notes 7, 9 and 10.

The Group results for the year ended 30 September 2005 and the balance sheet as at that date are abridged (after adjustment for IFRS conversion) from the Company's Annual Report and Financial Statements 2005 which have been delivered to the Registrar of Companies. The auditors' report on those Financial Statements was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

These abridged results as restated for IFRS conversion, along with the results for the six month periods ended 31 March 2005 and 31 March 2006, and the balance sheets at those dates, have not been audited.

The interim statement does not constitute full accounts within the meaning of Section 240 of the Companies Act 1985.

This statement is being sent to shareholders and will be available from the Company's registered office at International House, Peartree Road, Stanway, Colchester, Essex CO3 0JL.

1 Significant Accounting Policies (continued)

(b) Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Group's consolidated interim financial statements incorporate the financial statements of the Company together with those of subsidiaries. Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the interim financial statements.

(c) Foreign currency

i Foreign currency transactions

Foreign currency transactions are translated at the rates ruling on the transaction date, or at the contracted rate if the transactions has been entered into at a fixed rate. Foreign currency monetary assets and liabilities are retranslated at the rates ruling at the balance sheet date, or if applicable at the contracted rate. Any differences on exchange are taken to the income statement.

All sales from the Group's UK business are invoiced in sterling. Purchases made by the UK business from one overseas supplier are invoiced to the Group in the local currency of that supplier. Any currency risk is mitigated by the Group fixing an exchange rate with that supplier on a quarterly basis.

ii Financial statements of foreign operations

The financial statements of overseas subsidiaries are translated into sterling at the rates of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to the translation reserve.

The revenues and expenses of foreign operations are translated to pounds sterling at rates approximating the foreign exchange rates ruling at the dates of the transactions.

iii Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to translation reserve. They are recycled and taken to income statement upon disposal of the operation. The Company has elected, in accordance with IFRS 1, that in respect of all foreign operations, any differences that have arisen before 1 October 2004 have been set to zero.

(d) Property, plant and equipment

i Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (i)).

ii Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as incurred.

iii Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, except freehold land, over their expected useful lives. It is calculated, on a straight line basis, at the following annual rates:

Freehold buildings	-	2%
Improvements to leasehold property	-	20%
Plant and equipment	-	10% to $33\frac{1}{3}$%
Motor vehicles	-	25%

1 Significant Accounting Policies (continued)

(e) Intangible assets

i Goodwill

Prior to the adoption of FRS 10 all goodwill was set off against reserves as a matter of accounting policy. If a subsidiary is subsequently sold, any goodwill arising on acquisition that was written off directly to reserves is taken into account in determining the profit or loss on sale.

The accounting treatment of business combinations that occurred prior to 1 October 2004 has not been restated in preparing the Group's opening IFRS balance sheet at 1 October 2004.

ii Other intangible assets

Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (i)).

iii Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

iv Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

(f) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated as follows:

Raw materials	-	cost of purchase on first in, first out basis.
Work in progress and finished goods	-	cost of raw materials and labour, together with attributable overheads based on the normal level of activity.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

A charge is made to the income statement for the change in value of slow moving finished goods stocks. This provision is reviewed at each balance sheet date.

(g) Trade and other receivables

Trade and other receivables are stated at their cost less the estimated impairment (see accounting policy (i)).

(h) Cash and cash equivalents

Cash at bank comprises cash balances and treasury deposits.

The Group has no long term borrowings and any available cash surpluses are placed on deposit.

(i) Impairment

The carrying amount of the Group's assets, other than deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

Other intangible assets were tested for impairment at 1 October 2004, the date of transition to IFRS, and at 30 September 2005 and 31 March 2006.

i Reversals of impairment

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1 Significant Accounting Policies (continued)

(j) Employee benefits

i Pension costs

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in independently administered funds. Contributions to the pension scheme are charged to the income statement in the year in which they become payable.

ii Share-based payment transactions

The Company provides share option schemes for Directors and for other members of staff.

The fair value of the employee services received in exchange for the grant of options is recognised as an expense to the income statement. Fair value has been determined by using IFRS accepted valuation methodologies (see note 4). The amount expensed to the income statement over the vesting period is determined by reference to the fair value of the options, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date the Group revises its estimates of the number of options awards that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity, over the remaining vesting period. No adjustment is made for failure to achieve market vesting conditions.

iii Accrued holiday pay

Provision is made at each balance sheet date for holidays accrued but not taken at the salary of the relevant employee at that date.

(k) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(l) Trade and other payables

Trade and other payables are stated at cost.

(m) Research and development expenditure

Expenditure on research is charged to the income statement in the period in which it is incurred. Development costs are capitalised where they meet the criteria set out in IAS 38 - Intangible Assets.

(n) Turnover

Turnover (revenue) represents value of goods despatched to outside customers at invoiced amounts, less value added tax, net of customer settlement discounts.

(o) Interest income

Interest income comprises interest receivable on funds invested net of interest payable on bank overdrafts.

(p) Corporation and deferred tax

Tax on the profit or loss for the periods presented comprises current and deferred tax.

1 Significant Accounting Policies (continued)

i Corporation tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

ii Deferred taxation

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and the differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of asset and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Leased assets

Operating leases represent leasing agreements that do not give rights approximating to ownership. Annual rentals are charged to the income statement on a straight-line basis over the lease term.

2 Segment Reporting

Segment information is presented in the interim financial statements in respect of the Group's geographic segments, which reflect management and internal reporting structures and also the Group's operating segments.

The Group's business is comprised of the following reportable geographic segments:

United Kingdom

Rest of the World

Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

2 Segment Reporting (continued)

Geographic segments

	United Kingdom			Rest of the World			Consolidated		
	Six Months to 31.3.06	Six Months to 31.3.05	Year to 30.9.05	Six Months to 31.3.06	Six Months to 31.3.05	Year to 30.9.05	Six Months to 31.3.06	Six Months to 31.3.05	Year to 30.9.05
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	7,180	7,162	14,592	1,015	755	1,844	8,195	7,917	16,436
Segment result	1,079	1,329	2,601	98	29	145	1,177	1,358	2,746
Unallocated expenses							(823)	(876)	(1,718)
Operating profit							354	482	1,028
Interest income							66	77	151
Profit before taxation							420	559	1,179
Taxation expense							(118)	(168)	(328)
Profit for the period attributable to the members of Titon Holdings							302	391	851

3 Corporation Taxes

	Six Months to 31.3.06	Six Months to 31.3.05	Year to 30.9.05
	£'000	£'000	£'000
Current tax			
UK corporation tax	108	168	313
Adjustment in respect of prior years	-	-	(28)
Total UK corporation tax	108	168	(285)
Foreign tax	10	-	34
Deferred tax (credit)/expense	-	-	9
Taxation expense	118	168	328

Tax for the interim period is charged at 28.0% (Six months to 31 March 2005: 30.0%) representing the best estimate of the average annual effective income tax rate for the full financial year.

4 Employee Benefits

Employee benefits include:

Fair value of share option awards

In accordance with IFRS 2, the fair value of outstanding equity settled share based option awards to employees, which have been granted after 7 November 2002, but not vested as at 1 January 2005, are recognised as an expense to the income statement.

The Black Scholes option pricing model has been used for calculating the fair value of the Company's share options. The Directors believe that this model is the most suitable for calculating the fair value of the equity based share options offered to employees under the Company's share schemes. The calculated fair values of the share option awards are adjusted to reflect actual and expected vesting levels.

The amount charged to the income statement in respect of share based payments is as follows:

	Six Months to 31.3.06	Six Months to 31.3.05	Year to 30.9.05
	£'000	£'000	£'000
Share based payment expense	1	-	1

Two issues of share options have been granted since 7 November 2002 and are recognised for valuation under IFRS 2.

	Share options granted	
Date Granted	21.05.2004	18.05.2005
Number of Shares	36,150	26,300
Subscription price (exercise price per share in pence)	91.0p	99.0p
Exercisable from	21.05.2007	18.05.2008
Exercisable until	21.05.2014	18.05.2015
Expected dividend yield (%)	6.50	6.50
Risk free rate of return (%)	5.10	4.75
Share price volatility (%)	29.0	29.0
Fair value per share (pence)	15.3p	15.5p

Assumptions used in the option pricing model

a) The vesting period for a share option is expected to be 6 years from the date of grant of the share option.

b) Each issue of share option awards is re-assessed, at each balance sheet date, to calculate the total fair value of share options. The fair value of share options is charged to the income statement over the 6 year expected vesting period.

c) Share price volatility is calculated by looking back six years from the date of grant for each share option, as it is expected that the historic volatility in the share price is the best measure of likely of movement in the share price in the future and therefore during the expected average vesting period of six years from the date of grant, until the date of exercise.

d) Volatility has been calculated from the historic weekly movement, rather than daily movement, in the Company's share price as this is in the opinion of the Directors, the most reasonable measure of the share price.

e) Dividend yields are expected to be similar to those in recent years.

f) A risk free rate of return has been used based on the Bank of England zero coupon rates.

5 Equity

	Called up Share capital	Share premium	Capital redemption reserve	Translation reserve	Share Schemes reserve	Retained earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2004	1,053	841	56	-	-	9,086	11,036
Profit for the period	-	-	-	-	-	391	391
Dividends paid	-	-	-	-	-	(505)	(505)
At 31 March 2005	1,053	841	56	-	-	8,972	10,922
Share-based payment expense	-	-	-	-	1	-	1
Translation differences on overseas operations	-	-	-	(3)	-	-	(3)
Profit for period	-	-	-	-	-	460	460
Dividends paid	-	-	-	-	-	(242)	(242)
At 30 September 2005	1,053	841	56	(3)	1	9,190	11,138
Share options exercised	2	22	-	-	-	-	24
Share-based payment expense	-	-	-	-	1	-	1
Translation differences on overseas operations	-	-	-	12	-	-	12
Profit for period	-	-	-	-	-	302	302
Dividends paid	-	-	-	-	-	(506)	(506)
At 31 March 2006	1,055	863	56	9	2	8,986	10,971

6 Dividends and Earnings Per Share

Dividends

An interim dividend in respect of the six months ended 31 March 2006 of 2.3p per share, amounting to a total dividend of £243,000 was approved by the Directors of Titon Holdings Plc on 10 May 2006. These consolidated interim accounts do not reflect this dividend payable.

The interim dividend will be payable on 3 July 2006 to the shareholders on the register on 9 June 2006. The ex dividend date is 7 June 2006.

The following dividends have been recognised and paid by the Company:

	Date paid	Pence per share	Six Months to 31.3.06 £'000	Six Months to 31.3.05 £'000	Year to 30.9.05 £'000
Final	18.02.05	4.8	-	505	505
Interim	01.07.05	2.3	-	-	242
Final	24.02.06	4.8	506	-	-
			506	505	747

6 Dividends and Earnings Per Share (continued)

Earnings per share

Basic earnings per share has been calculated by dividing the Profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period, being 10,552,500 (Six months ended 31 March 2005: 10,528,800; Year ended 30 September 2005: 10,528,800).

Diluted earnings per share has been calculated by dividing the Profit attributable to shareholders by the weighted average number of ordinary shares and potential dilutive ordinary shares during the period, being 10,586,129 (Six months ended 31 March 2005: 10,574,796; Year ended 30 September 2005: 10,576,852). All dilutive ordinary shares relate to share options.

7 Reconciliation of Profit

		Six Months to 31.3.05			Year to 30.9.05		
	Note	UK GAAP	Effect of Transition to IFRS	IFRS	UK GAAP	Effect of Transition to IFRS	IFRS
		£'000	£'000	£'000	£'000	£'000	£'000
Revenue		7,917	-	7,917	16,436	-	16,436
Operating profit	(a)	482	-	482	1,029	(1)	1,028
Interest income		77	-	77	151	-	151
Profit before taxation		559	-	559	1,180	(1)	1,179
Taxation expense		(168)	-	(168)	(328)	-	(328)
Profit for the period attributable to the members of Titon Holdings Plc		391	-	391	852	(1)	851

(a) Share based payments

The effect of accounting for equity settled share based payment transactions at fair values is to reduce operating profit by £1,000 for the year ended 30 September 2005.

8 Property, Plant and Equipment

Acquisition and disposals

During the six months ended 31 March 2006, the Group acquired assets with a cost of £1,142,000 (six months to 31 March 2005: £151,000; Year ended 30 September 2005: £569,000). Assets with a net book value of £11,000 were disposed of during the six months ended 31 March 2006 (six months ended 31 March 2005: £3,000; Year ended 30 September 2005: £13,000).

9 Reconciliation of Equity

	Note	At 1.10.04 UK GAAP (Unaudited) £'000	At 1.10.04 Effect of Transition To IFRS £'000	At 1.10.04 IFRS (Unaudited) £'000	At 31.3.05 UK GAAP (Unaudited) £'000	At 31.3.05 Effect of Transition To IFRS £'000	At 31.3.05 IFRS (Unaudited) £'000	At 30.9.05 UK GAAP (Unaudited) £'000	At 30.9.05 Effect of Transition To IFRS £'000	At 30.9.05 IFRS (Unaudited) £'000
Assets										
Intangible assets	(a)	-	11	11	-	8	8	-	6	6
Property, plant and equipment	(a)	4,291	(11)	4280	4,142	(8)	4,134	4,248	(6)	4,242
Total non-current assets		4,291	-	4,291	4,142	-	4,142	4,248	-	4,248
Stocks		2,580	-	2,580	2,563	-	2,563	2,511	-	2,511
Trade and other receivables		3,201	-	3,201	3,468	-	3,468	3,695	-	3,695
Cash at bank and in hand		4,017	-	4,017	3,154	-	3,154	3,380	-	3,380
Total current assets		9,798	-	9,798	9,185	-	9,185	9,586	-	9,586
Total Assets		14,089	-	14,089	13,327	-	13,327	13,834	-	13,834
Liabilities										
Deferred taxation liability		95	-	95	95	-	95	104	-	104
Total non-current liabilities		95	-	95	95	-	95	104	-	104
Trade and other payables	(d)	2,660	(505)	2,155	2,355	(242)	2,113	2,911	(505)	2,406
Bank overdraft		706	-	706	-	-	-	21	-	21
Corporation tax liability		97	-	97	182	-	182	144	-	144
Employee benefits		-	-	-	15	-	15	21	-	21
Total current liabilities		3,463	(505)	2,958	2,552	(242)	2,310	3,097	(505)	2,592
Total Liabilities		3,558	(505)	3,053	2,647	(242)	2,405	3,201	(505)	2,646
Equity										
Called up share capital		1,053	-	1,053	1,053	-	1,053	1,053	-	1,053
Share premium		841	-	841	841	-	841	841	-	841
Capital redemption reserve		56	-	56	56	-	56	56	-	56
Translation reserve	(b)	-	-	-	-	-	-	-	(3)	(3)
Share schemes reserve	(c)	-	-	-	-	-	-	-	1	1
Retained earnings		8,581	505	9,086	8,730	242	8,972	8,683	507	9,190
Total Equity		10,531	505	11,036	10,680	242	10,922	10,633	505	11,138
Total Liabilities and Equity		14,089	-	14,089	13,327	-	13,327	13,834	-	13,834

9 Reconciliation of Equity (continued)

Notes to the reconciliation of Equity

(a) Intangible assets: Computer software previously included within Property Plant and Equipment under UK GAAP is reclassified under IFRS as intangible assets. On transition to IFRS at 1 October 2004 assets with a net book value of £11,000 have been reclassified as intangible assets.

(b) Foreign exchange translation of overseas operations: The effect at 30 September 2005 is to increase retained earnings and decrease the translation reserve by £3,000.

(c) Share based payments: The effect of IFRS accounting for equity settled share based payment transactions at fair values is to recognise a cost of £1,000 for share option awards for the period ended 30 September 2005. Accordingly, the share scheme reserve at 30 September 2005 is increased by £1,000 and retained earnings are decreased by £1,000.

(d) Dividends: Under previous UK GAAP dividends were provided for when proposed even if this was after the balance sheet date. Under IAS 10 Events after the Balance Sheet Date this is not allowed.

Accordingly, Trade and other payables at:

- 30 September 2004 have been reduced by £505,000, for the proposed for the period ending 30 September 2004. The dividend was paid from reserves in the period ended 31 March 2005.
- 31 March 2005 have been reduced by £242,000, for the proposed for the period ending 31 March 2005. The dividend was paid from reserves in the period ended 30 September 2005.
- 30 September 2005 have been reduced by £505,000, for the proposed for the period ending 30 September 2005.The dividend was paid from reserves in the period ended 31 March 2006.

10 Explanation of Transition to IFRS

As stated in note 1(a) these are the Group’s first consolidated interim financial statements for part of the period covered by the first IFRS annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in note 1 have been applied in preparing the consolidated interim financial statements for the six months ended 31 March 2006, the comparative information for the six months ended 31 March 2005, the financial statements for the year ended 30 September 2005 and the preparation of an opening IFRS balance sheet at 1 October 2004 (the Group’s date of transition).

In preparing the opening balance sheet, comparative information for the six months ended 31 March 2005 and financial statements for the year ended 30 September 2005, the Group has adjusted amounts previously reported in financial statements prepared in accordance with UK GAAP.

IFRS 1 - First-time Adoption of International Financial Reporting Standards permits or requires certain exemptions from the general principle of retrospective application. Where permitted, the Group has utilised exemptions when retrospective application would result in little or no added usefulness in terms of the information presented and where retrospective application would require the use of hindsight, which is specifically precluded by IFRS 1.

The following summarises the Group’s application of the IFRS 1 exemptions:

Cumulative translation differences: IAS 21 - The Effects of Changes in Foreign Exchange Rates requires the classification of translation differences arising in connection with foreign operations to be classified as a separate component of equity. IFRS 1 exempts a first-time adopter from the retrospective application of IAS 21. The Group has applied this exemption, with the effect that cumulative translation differences for all foreign operations as at the date of transition are deemed to be nil.

Share based payments: The Group has applied IFRS 2 Share-based Payments to share options awards granted after 7 November 2002 not accounted for under UK GAAP.

There is no effect of accounting for equity settled share based payment transactions at fair values to retained earnings at 1 October 2004.

Designed and Produced by Red Cell Ltd. 01621 859777

TITON HOLDINGS PLC
International House, Peartree Road, Stanway, Colchester, Essex CO3 OJL

Tel: +44 (0)1206 713800 **Fax:** +44 (0)1206 543126
Email: enquiries@titon.co.uk **Web:** www.titon.com